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JON M. HUNTSMAN, JR.
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Lieutenant Governor

State of Utah

DEPARTMENT OF NATURAL RESOURCES

MICHAEL R. STYLER
Executive Director

Division of Oil, Gas and Mining

JOHN R. BAZA
Division Director

Outgoing
00070013
#3406
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November 30, 2009

Jay Marshall, Resident Agent
Utah American Energy Inc.
P.O. Box 910
East Carbon, Utah 84520-0910

Subject: Phase III Bond Release Approval and Updated Lila Canyon Permit, Geneva Mine, UtahAmerican Energy, Inc. (UEI), Horse Canyon Mine, C/007/0013, Task ID #3406, Outgoing File

Dear Mr. Marshall:

The Phase III Bond Release in the amount of \$1,061,328.00 for the Phase III Bond Release of the Horse Canyon (Geneva) Mine is hereby approved. UtahAmerican's Phase III bond release request is for 74.26 acres, which included 16.18 acres with buildings and surface facilities donated to the College of Eastern Utah Foundation September 2005 and 6.5 acres for the borrow area. The Horse Canyon (Range Creek) public road will remain intact as required by Emery County and will not be held as any part of the mine permit. A bond release inspection was conducted in December 2008, which included representatives from the U.S. Bureau of Land Management (BLM), U.S. Office of Surface Mining and Reclamation and Enforcement (OSM) and Utah Division of Wildlife Resources. The bond held for the Refuse Pile Channel, 0.49 acres, approved August 15, 2007 in the amount of \$8000.00 should be sufficient for any future channel (Ditch 31) repairs. The area was removed from the proposed bond request. Water monitoring will continue at site B-1 until the liability period for Ditch 31 is complete.

The OSM submitted a letter dated December 19, 2008, received at the Division on January 5, 2009, which identified that the application does not fall under the requirements of 30 CFR Part 740 and Part 746, and therefore, did not constitute a mine plan action requiring Secretarial approval. The BLM concurred in a letter received by the Division on January 5, 2009. The U.S. Forest Service, Manti-Lasal did not have comments.


Two copies of the revised permit reflecting the Phase III release are enclosed. Please sign both copies and return one copy to the Division. The other copy is for your records. Please note the attached permit conditions and recognize that they are still applicable.



Page 2
Jay Marshall
Geneva Mine
Phase III Bond Release
November 30, 2009

If you have any comments or concerns, please contact Daron Haddock at 801 538-5325 or me at 801 538-5340.

Sincerely,



John R. Baza
Director

JRB/DRH/sqs
cc: James Fulton, OSM
Jeff McKenzie, BLM
Price Field Office
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Horse Canyon Mine Complex
Geneva Mine
C/007/013
Carbon County, Utah

November 30, 2009

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DECISION DOCUMENT

Geneva Mine, Horse Canyon Complex Phase III Bond Release Carbon County, Utah

ACTION

Grant approval of Phase III bond release in the amount of \$1,061,328.00 for reclamation activities at the Geneva Mine in Horse Canyon. Utah American Energy, Inc. submitted the request for Phase III bond release on January 3, 2006 and requested release on 74.26 acres of land. Granting this release will reduce the amount of bond held for reclamation of the remaining Refuse Pile channel (Ditch 31) to \$8,000.00, which covers 0.49 acres. The Division conducted a Phase III bond release inspection of the above referenced mine site on the December 17, 2008. The areas reviewed included the surface facilities area in Horse Canyon, the borrow area, refuse pile and portals in Lila Canyon. An invitation letter for bond release inspection was sent to interest parties. There was a response from the U.S. Office of Surface Mining (OSM), the U.S. Bureau of Land Management (BLM), the Utah Division of Wildlife Resources (DWR) and the organization Rails for Trails. Also attending was Division personnel and the designated representative from UtahAmerican, Jay Marshall.

The Division of Oil, Gas and Mining finds that UtahAmerican has completed Phase III reclamation of the mine site as required by the regulations. The Division received a letter from the BLM concurring with the Phase III bond release on December 1, 2008. The U.S. Forest Service, Manti-Lasal Forest sent a letter of concurrence on January 7, 2009. Division personnel worked with DWR to evaluate the third party encroachment by Rails for Trails. It was determined the disturbance was minimal and would not significantly alter the vegetation total cover and diversity requirements. A copy of the inspection report and technical analysis is enclosed.

BACKGROUND

The Geneva Mine is owned by UtahAmerican Resources, Inc. and is located approximately 23 miles southeast of Price, Utah. On January 3, 2006, the Permittee submitted an application to the Division for partial release of the reclamation bond. The application has been

reviewed, and found to meet all federal and state rules and regulations. There are no remaining sediment control structures (ponds, silt fences, straw bales) or diversions to be removed, except for the Refuse Pile Ditch 31, which is reclaimed, but still remains under bond until it meets the release requirements. The Lila Canyon portal site was removed from the Geneva Mine Phase III bond release and included in the Lila Canyon Mine plan.

CHRONOLOGY FOR PHASE III BOND RELEASE

April 5, 1990, Intermountain Power Associates assumed ownership from U.S. Steel Corporation.

May 6, 1991, Date of original Geneva mine permit for UtahAmerican.

August 10, 1994 and July 11, 1996, Phase I Bond Release inspection.

May 6, 1996, mine permit renewed, 5-year permit renewal.

February 5, 1997, Phase I Bond Release.

December 19, 1997, the Division received the Phase II bond release application.

November 10, 1999, UtahAmerican Energy received conditional approval for Phase II bond release on for 51.56 acres, 6.5 acres associated with the borrow site, were given an alternative post-mining land use change and 0.02 acres are associated with a bridge abutment, left unreclaimed, since it is County property and needed to support the bridge. Exempt areas had remained in the disturbed permit area, which included the water tank, the explosives area, fan portal area buildings area and Pond #2. Initially, the exempt areas were going to be used as facilities in conjunction with the proposed Lila Canyon Extension to the Horse Canyon Mine.

October 2005, UtahAmerican decided the exempt areas were not needed for the new mine and changed the post mining land use to recreational/institutional. They donated the property to the University of Utah and College of Eastern Utah. Prior to donating the exempt areas UtahAmerican removed the fan and collars around the two remaining portal sites (they had previously been sealed prior to Phase I bond release), then gouged and seeded the portal area. They backfilled all the mechanic pits in the warehouse, and boarded up all the windows. They also removed the oil skimmer collar on the spillway of Sedimentation Pond #1 and backfilled the decant culvert with concrete (the pond is now designed for total storage of the 100 year-24 hour precipitation event.

January 3, 2006, Task 2409, Initial submittal for Phase III Bond release. The Permittee requested Phase III Bond release on 51.56 acres that had Phase I and II Bond release, 6.5 acres associated

with the borrow site, 16.18 acres that were given an alternative post mining land use and transferred to the College of Eastern Utah, 0.02 acres associated with a bridge abutment left unreclaimed at the request of the County. The Division reviewed the submittal and found issues with road adjacent to the borrow area, Lila Canyon Portals and Ditch 31.

February 1, 2006, Task 2728, the Division review information submitted in response to Task 2409. Deficiencies still remain.

April 20, 2006, Pre-bond inspection of Geneva minesite.

May 18, 2006, the Division received an amendment from UtahAmerican Energy, Inc. (UEI) seeking approval to remove the monitoring requirements for sites RS-2, RF-1 and HC-1 from their water-monitoring program. The amendment was recommended for approval. Water monitoring site B-1 will remain active. It is located downstream of Ditch 31 in Horse Canyon Creek.

July 10, 2006, the Division received a revised submittal of the Phase III bond release from UtahAmerican Energy, Inc. The previous submittal on January 3, 2006 was not recommended for approval, because of numerous deficiencies. The Permittee has identified 51.56 acres remaining under the partial bond. That acreage has gone through Phase I and Phase II bond releases. UtahAmerican is seeking Phase III bond release on 51.07 acres. A small 0.49 acre area, which includes an access road to the Refuse Pile channel and the storm damaged channel section, will remain in the bond until the area attains the ten year liability period and reclamation standards for stability and vegetation are met. Hydrology section is recommended for approval.

September 15, 2006, Task 2573, received update to Phase III proposal. Deficiency sent on September 28, 2006. The application was resubmitted on February 16, 2007.

April 14, 2007, Task 2642, the Division grants final approval for channel repairs implemented by UEI as mitigation to the Refuse Pile Channel, Ditch 31.

May 18, 2007, Permit Renewed, 5-year renewal.

November 6, 2008, UtahAmerican's submitted the most recent Phase III Bond Release application, Task 3080 (received in the office November 13, 2008).

December 17, 2008, Phase III inspection conducted at the Horse Canyon (Geneva Mine) site. Henry Austin represented OSM, Sue Wiler represented the BLM, Leroy Meed represented Division of Wildlife Resources, two individuals represented Rails for Trails and Daron Haddock, April Abate, Jim Smith, Joe Helfrich and David Darby represented DOGM. The inspection group observed the third party encroachment that had inadvertently been done by Rails for Trails,

the donated lands (to College of Eastern Utah), the borrow area, bridge abutment and Refuse Pile ditch (Ditch 31).

January 26, 2009, Deficiencies were sent to UtahAmerican regarding the submittal of November 6, 2008.

March 23, 2009, UEI subitted surety bond in the amount of \$8,000.00 for Ditch 31. Rockwood Casualty Insurance Company, 654 Main Street, Rockwood PA 15557. [322682].

April 20, 2009, The Permittee submitted a response, Task ID # 3268, to the deficiencies, which the Division identified in the Phase III bond release application dated January 20, 2009. Engineering section is recommended for approval.

July 15, 2009, The Permittee responded to the deficiencies aired by the Division review of Task ID # 3017.

September 16, 2009, Division received the seventh submittal Task 3406 for Phase III bond release at the Horse Canyon mine. Biology is only section remaining for approval. Biology section was recommended for approval by Joe Helfrich. Biology was originally approved on March 30, 2006, however, a third party encroachment changed the status of an area and more comments were directed at that site.

November 30, 2009, Division approves final bond release.

SUMMARY OF FINDINGS

A review of the minesite and technical evaluation of the supporting data was provided in the bond release requests. The Phase III bond release is for the Geneva Mine including 51.56 acres that had Phase I and II Bond release, 6.5 acres associated with the borrow site, 16.18 acres that were given an alternative post mining land use and transferred to the College of Eastern Utah, 0.02 acres associated with a bridge abutment left unreclaimed at the request of the County.

The Phase III bond release was advertised for four consecutive weeks. No comments were received during the public comment period. A bond release inspection was conducted in December 17, 2008. One issue, the Lila Canyon Portals, was identified that needed to be addressed. The portals will be part of the Lila Canyon mine permit and bonded with the bond covering reclamation of that mine. BLM's concurrence was received on January 5, 2009, and the U.S. Forest Service, Manti-La Sal sent a e-mail indicating they had no comments, January 8, 2009. There remains an \$8,000.00 bond for the reclamation of the refuse pile channel (ditch 31), which is the only facility left as part of the Geneva mine.

PHASE III BOND RELEASE RECOMMENDATION

UtahAmerican has demonstrated that sediment is being controlled over the reclaimed acres of the reclaimed Geneva Mine. It is recommended that the requested bond in the amount of \$1,061,328.00 be released.

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TECHNICAL ANALYSIS

Utah Coal Regulatory Program

RECLAMATION PLAN

POSTMINING LAND USES

Regulatory Reference: 30 CFR Sec. 784.15, 784.200, 785.16, 817.133; R645-301-412, -301-413, -301-414, -302-270, -302-271, -302-272, -302-273, -302-274, -302-275.

Analysis:

Postmining Land Use is addressed in Chapter 3, Section 3.2, and Pages III-3 through III-7 of the Application. The Post Mining Land Use is wildlife habitat. Appendix III-1-1 includes the Asset Assignment Agreement – (Post Mining Land Use Change area – CEU donation approximately 16.18 acres). Structures and areas not reclaimed are shown on maps III-2C, D and F. This sentence has been revised to include III-2E. The map legend includes the Emery County Public Road on maps III-2B, C, D, E and F. Map III-2F shows a water Tank Area that according to the legend is donated to CEU and is described as such on the map as are the other areas. Facilities within the CEU donation area are identified in Appendix X-4. Appendix III-1-2 includes the letters to the surface and subsurface owners. The letters include a summary of the reclamation efforts to date by entity and acreage.

Emery County Road Agreement

A special warranty deed and dedication agreement between IPA and Emery County was executed on October 4th 1995 giving Emery County rights to the Horse Canyon Range Creek road as noted in Volume 1, Chapter 1, appendix 1-6 of the MRP.

Page 5, paragraph 2, has been revised to indicate that the west bridge abutment will be left in place to support the bridge.

Findings:

The information is adequate to meet the requirements of this section of the regulations. Page 3 paragraph one, second sentence has been revised to include Map III-2E. The map legend includes the Emery County Public Road on maps III-2B, C, D, E and F. Map III-2F shows a

water tank area that was donated to CEU and is described as such on the map as are the other areas.

REVEGETATION

Regulatory Reference: 30 CFR Sec. 785.18, 817.111, 817.113, 817.114, 817.116; R645-301-244, -301-353, -301-354, -301-355, -301-356, -302-280, -302-281, -302-282, -302-283, -302-284.

Analysis:

Vegetation sampling is described on pages 10 and 11 of the application. Vegetation inventories were conducted in 2003 and 2004, years nine and ten. These sampling reports are included in the application as Exhibits III-1-5 and III-1-6. "*Reclamation treatments, areas and work accomplished*" as noted on page 11 under section IIA.4 are described in chapters three, eight and ten of the approved MRP.

The information in the 2003 and 2004 vegetation surveys include the following:

2003 Survey

Data were collected for percent cover, percent cover by species, woody plant density, species diversity, and similarity at each of six reclaimed areas and the reference area, good quality discernable photographs of the reclaimed areas and the reference areas taken in 2009 are included in the application as Appendix 4. Appendix III-1-5 page 6 of the November 2008 submittal includes a reference to Appendix 3 that is included in the application. Additional data for the five sloped areas included percent cover by vegetative type, shrubs, forbs, grasses and total percent cover. The sloped areas do not include percent cover, percent cover by species and woody plant density. Page 13 of the application provides the rationale for not including these areas in the vegetation sampling regimen. These areas were sampled in addition to the reclaimed areas for precipitation run-off estimates as an indication of erosion. The locations of the transects, reference area and reference area transects have been identified on a map.

Percent cover, percent cover by species, woody plant density and species diversity at each of six reclaimed areas exceeded that in the reference area. However the reference area selected is not representative of either the reclaimed area or the intended postmining land use of Wildlife habitat. A mature Pinion Juniper community would be a wildlife cover area. This is further demonstrated in the similarity comparison noting that an average of 1.8 species or 15 % are common to the reference area, cheat grass has been discounted as it is considered to be an invasive annual exotic species. The applicant has recalculated the data without cheat grass in both the reference and r reclaimed areas. Page 13 of the application has been revised to include

Small Fendler's Sandmat as the purple plant listed in the 2003 survey data.

The similarity comparison, Jaccard's Community Coefficient is represented as a number; it should be displayed as a percentage I may delete this statement.

2004 Survey

Data were collected for percent cover, percent cover by species, woody plant density, species diversity, and similarity, an average of 3.1 species or 25.8%, at each of six reclaimed areas and the reference area, good quality discernable photographs of the reclaimed areas and the reference areas taken in 2009 are included in the application as Appendix 4. The locations of the transects and reference area have been identified on a map Pages 6 and 7, state that "Fifteen transects were run in the reference area even though sample adequacy suggested that 16 transects be run to keep consistency with the number of transects run in revegetated areas". Therefore the sampling adequacy is consistently inadequate. The applicant needs to explain this statement. Pages 6 and 7, "Fifteen transects were run in the reference area even though sample adequacy suggested that 16 transects be run to keep consistency with the number of transects run in revegetated areas," The application includes supportive data that demonstrates sample adequacy with 15 transects as noted on pages 18-20 of the application. These areas were sampled in addition to the reclaimed areas for precipitation run-off estimates as an indication of erosion.

Revegetation: General Requirements

Revegetation: Timing, Mulching and Other Soil Stabilizing Practices, and Standards for Success

During the summer of 2008 the Rails to Trails group caused a third party encroachment (TPE) by blading a 10 foot wide access road through the reclaimed area. It runs from the old rail road grade northeast across the reclaimed No.1 sedimentation pond, then down to the main Horse Canyon road. This area will be reclaimed immediately, spring 2009. Access to the road will be blocked and the area will be reseeded. The area is 0.3 acres of surface disturbance and represents only 0.4% of the total reclaimed area. The acreage still has some viable vegetation, however, it is a small area compared to the whole reclaimed site, which has been previously sampled. Vegetation cover for the site without the TPE area is adequate to insure that 90 % of the success standard, (including sloped areas), is met. Therefore, it is not necessary to include the area in the vegetation sampling.

Page 11 of the application includes quoting from the 2003 and 2004 vegetation studies stating that the requirements for percent cover, percent cover by species and woody plant density exceed those of the reference area. The application needs to include a summary and analysis of the data to support the quoting statements and demonstrate how the success standards have been met. Pages 11-14 of Appendix III-1 have been revised to include a summary and analysis of the data from the 2003 and 2004 vegetation surveys that summarizes how the success standards have been met.

The application includes a summarization of the vegetation data that demonstrates that the revegetated sites meet the goal of 2,000 stems /acre at a 90% statistical confidence. This information along with the data on pages 15-18 has been used to support this statement.

Photos of the reference and sampling locations taken in 2009 are included in Appendix 4 of the application.

The sloped areas need to include vegetative sampling data for percent cover, percent cover by species and woody plant density species composition and be included in a detailed summary and analysis of the data to support the quoting statements and demonstrate how the success standards have been met. Page 13 of the application provides the rationale for not including these areas in the vegetation sampling regimen. These areas were sampled in addition to the reclaimed areas for precipitation run-off estimates as an indication of erosion.

Cheat grass has been discounted as it is considered to be an invasive annual exotic species. The applicant needs to recalculate the data without cheat grass in either the reference or reclaimed areas. The tables on pages 14 and 15 of the application include data used to meet the 90 % cover requirement that does not include cheat grass. The data demonstrates that the cover requirement has been met.

The Woody plant density averages table on page 12 indicate that the density value for the reference area nearly doubled from 2003 to 2004. The information at best does not appear to be statistically valid. Since the Division in consultation with DWR approved a woody stem density of 2000 stems per acre in 2005 the validity of the data is no longer an issue.

The Permittee was required to implement a weed control program. However a site visit was conducted on August 3, 2009 by a qualified botanist. The results of the ocular vegetation survey indicated that there was no evidence of noxious weeds in the reclaimed areas.

Pages VIII-42-45 contain commitments and methodologies to be employed to demonstrate that revegetation success has been achieved. Pages 15-20 of the application demonstrate that these commitments have been fulfilled.

MINE OPENINGS

Regulatory Reference: 30 CFR Sec. 817.13, 817.14, 817.15; R645-301-513, -301-529, -301-551, -301-631, -301-748, -301-765, -301-748.

Analysis:

The two ventilation entries known as the Lila Canyon portals at the Geneva Mine were developed from inside prior to August 3, 1977. They helped ventilate the U.S. Steel operation up through the early 1980's. The ventilation fan was pulled back inside the mountain and the portals seals were constructed. In 1993, the seals were breached by Boulder Exploration Group (BXG) / Sunnyside Reclamation and Salvage to determine if re-opening the Geneva Mine would be a worth while effort. The portals were re-sealed and no further activity occurred.

The seals are constructed from 50 to 80 feet in by the brow of the escarpment, and it was a concern of the DOGM that the lack of positive ventilation in the entries could be a hazard for unsuspecting hikers/explorers. Utah rules require seals be set back 25 feet from the surface. Although the portals are approximately a two hour hike from any vehicular access up a steep narrow path and have never known to been accessed other than by the mine personnel during mining and regulatory agencies during mine reclamation activities. The regulatory agencies felt that additional precautions needed implementation to eliminate (to the extent possible) potential liability for the government entities involved.

Backfilling of the two entries, in accordance with the requirements of R645-301-513.500 and R645-301-551 was investigated. In order to backfill, machine access would require development resulting in excessive disturbance in the area. This idea was not considered plausible. Backfilling by hand for the normally required 25 feet distance was ruled out as being too labor intensive. The construction of high strength steel barricades over both entries was considered as cost prohibitive.

The Permittee submitted a proposal to the Bureau of Land Management for the screen barricade at the fan portal, and a rock backfill at the intake portal. A drawing of the proposed barrier screen has been submitted and is identified as "Chain-Link Portal Barrier". The BLM approved this design on September 22, 2008.

In order to expedite the Phase III bond release application for the reclaimed areas associated with the Geneva Mine, the Division required the Permittee to transfer the liability associated with the Geneva Mine / Lila Canyon ventilation portals to the permit area "B" responsibility. This required amending the permit area "B" mining and reclamation plan to include the design, construction and bonding requirements of the Lila fan portal entries. The Division agreed to approve this liability transfer to the Lila Canyon Mine permit with the following stipulations, in addition to what was already approved within the BLM approval;

- 1) As determined by the DOGM, a sign will be installed on the Barriers that state "Possible Explosive Atmosphere and/or Possible Oxygen Deficient Atmosphere May Exist Behind this Barricade". The Permittee has made this stipulation part of the design approved under the BLM (See design drawing for cable / chain link barrier) and which is to be added to Appendix 5-6.

- 2) The signs will be maintained in accordance with R645-301-521.210 and 521.230.
- 3) The responsibility for the maintenance and monitoring of the Geneva Mine / Lila Canyon fan portal seal barriers lies with UEI or other subsequent C/007/013 permit holders.
- 4) The barriers will be installed and annual monitoring initiated by the third quarter of 2010. The monitoring will continue for the life of the (Permit Area "B") Mine at which time, assuming that no vandalism has occurred, the barriers will be considered "permanent" and annual monitoring will be suspended.
- 5) A copy of each annual inspection of the Geneva Mine Portals in Lila Canyon will be provided to the USDOJ / BLM / Price Field Office and the Utah Division of Oil, Gas, and Mining no later than thirty days after said inspection. The inspections shall include photo documentation of the barrier condition with date documented exposures.
- 6) Damage to the cable/chain link barriers will be adequately repaired as soon as practicable.
- 7) A bond line item will be added to the Lila Canyon bond to include the Geneva fan portal closure in the amount of \$ 5,000.

The Task ID # 3268 response includes Plate 5-5, Mine Map, which shows the location of the Geneva Mine/Lila Canyon portals in relation to the proposed Lila Canyon Mine projection. The Geneva portals are shown to be on the edge of the Lila Canyon Mine permit area "B" permit boundary. The liability for those portals is now considered as being within the permit area "B" mine permit responsibility.

In accordance with the requirements of R645-301-529, Management of Mine Openings, and R645-301-529.100, Management of Exposed Underground Openings As Approved by the Division, the Permittee's application to construct a chain link and cable barricade over the Geneva Mine Lila fan portal as well as a rubble backfill in the intake portal appears to be the best method of providing a temporary closure to the Lila portal entries. This determination has been made based upon practicality and cost-effectiveness.

Upon review of the annual inspections and reports conducted by the Permittee of the temporary barricades at these two entries in Lila Canyon, and a determination that no vandalism or unauthorized access has been gained to the Geneva Mine seals, the Division, in concurrence with the USDOJ / BLM/Utah State Office, will consider the barricade to be permanent closure methods.

All information submitted as part of the Geneva Mine / Lila Canyon portals barriers and approved by the BLM and the Utah DOGM is to be inserted into Appendix 5-6 of the Lila Canyon Mine / Permit Area "B" mining and reclamation plan

TOPSOIL AND SUBSOIL

Regulatory Reference: 30 CFR Sec. 817.22; R645-301-240.

Analysis:

Intermountain Power Agency completed Grading of 51.56 acres at the Horse Canyon site in 1991. As Built information is found in Chap. 2 and 3 of Vol. 1. and Plates III-2A through G. Phase I bond release for the 51.56 acres was granted February 5, 1997 and Phase II bond release was granted on April 11, 2002.

A borrow area provided the substitute topsoil, but reclamation did not disturb the entire borrow area, leaving a 6.5 acre area undisturbed. The correspondence file for 1991 provides a history of the activity at the borrow area site. Neither Phase I, nor Phase II bond release was granted for the 6.5 acres in the borrow area or the 0.01 acre bridge abutments. Letters in the Division's files indicate that the bridge abutments were to be removed after mining (letter from IPA, received 9/18/96). Recent correspondence to the Division from Emery County (dated August 31, 2006) requested that only one bridge abutment be removed and the other be left to stabilize the road embankment. This work was completed in 2007.

FEDERAL

C/007/0013

November 30, 2009

**STATE OF UTAH
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING
1594 West North Temple, Suite 1210
Salt Lake City, Utah 84114-5801
(801) 538-5340**

This permit, C/007/0013, is issued for the state of Utah by the Utah Division of Oil, Gas and Mining (Division) to:

**UtahAmerican Energy, Inc.
P.O. Box 187
Saint Clairsville, Ohio 43950-0187**

for the Horse Canyon Mine Complex, including the Geneva and Lila Canyon Mines. Three surety bonds are filed with the Division in the amount of \$8,000.00, \$130,000.00 and \$1,556,000.00 (totaling \$1,694,000) payable to the State of Utah, Division of Oil, Gas and Mining and the United States Department of Interior, Office of Surface Mining Reclamation and Enforcement (OSM). The Division must receive a copy of this permit signed and dated by the permittee.

Sec. 1 STATUTES AND REGULATIONS - This permit is issued pursuant to the Utah Coal Mining and Reclamation Act of 1979, Utah Code Annotated (UCA) 40-10-1 et seq, hereafter referred to as the Act.

Sec. 2 PERMIT AREA - The permittee is authorized to conduct coal mining and reclamation operations on the following described lands within the permit area at the Horse Canyon Mine (including the Lila Canyon extension), situated in the state of Utah, Carbon and Emery Counties, and located:

Geneva Mine in Horse Canyon

Ditch 31 within the reclaimed Refuse Pile in Horse Canyon, NW1/4 of NW1/4 of Section 9 of T16S R14E, SLBM

Lila Canyon Mine and Lila Canyon Portals

T16S R14E

Section 10: Portions of SE1/4

Section 11: E1/2

Portions of W1/2

Section 12: All
Section 13: All
Section 14: All
Section 15: Portions of E1/2
Portions of SW1/4
Section 22: NE1/4 NE1/4
Section 23: N1/2
SE1/4
E1/2 SW1/4
Section 24: All
Section 25: N1/2
Section 26: E1/2 NE1/4

T16S R15E

Section 19: W1/2 SW1/4
SE1/4 SW1/4
Section 30: NW1/4
SW1/4 NE1/4

This legal description is for the permit area of the Horse Canyon Mine (including the Lila Canyon extension). The permittee is authorized to conduct coal mining and reclamation operations on the foregoing described property subject to the conditions of all applicable conditions, laws and regulations.

Sec. 3 COMPLIANCE - The permittee will comply with the terms and conditions of the permit, all applicable performance standards and requirements of the State Program.

Sec. 4 PERMIT TERM - This permit expires on May 6, 2011.

Sec. 5 ASSIGNMENT OF PERMIT RIGHTS - The permit rights may not be transferred, assigned or sold without the approval of the Division Director. Transfer, assignment or sale of permit rights must be done in accordance with applicable regulations, including but not limited to 30 CFR 740.13 {e} and R645-303-300.

Sec. 6 RIGHT OF ENTRY - The permittee shall allow the authorized representative of the Division, including but not limited to inspectors, and representatives of the Office of Surface Mining Reclamation and Enforcement (OSM), without advance notice or a search warrant, upon presentation of appropriate credentials, and without delay to:

- (a) have the rights of entry provided for in 30 CFR 840.12, R645-400-220, 30 CFR 842.13 and R645-400-110;

- (b) be accompanied by private persons for the purpose of conducting an inspection in accordance with R645-400-100 and R645-400-200 when the inspection is in response to an alleged violation reported to the Division by the private person.

Sec. 7 SCOPE OF OPERATIONS - The permittee shall conduct coal mining and reclamation operations only on those lands specifically designated as within the permit area on the maps submitted in the approved plan and approved for the term of the permit and which are subject to the performance bond.

Sec. 8 ENVIRONMENTAL IMPACTS - The permittee shall take all possible steps to minimize any adverse impact to the environment or public health and safety resulting from noncompliance with any term or condition of the permit, including, but not limited to:

- (a) Any accelerated or additional monitoring necessary to determine the nature and extent of noncompliance and the results of the noncompliance;
- (b) immediate implementation of measures necessary to comply; and
- (c) warning, as soon as possible after learning of such noncompliance, any person whose health and safety is in imminent danger due to the noncompliance.

Sec. 9 DISPOSAL OF POLLUTANTS - The permittee shall dispose of solids, sludge, filter backwash or pollutants in the course of treatment or control of waters or emissions to the air in the manner required by the approved Utah State Program and the Federal Lands Program which prevents violation of any applicable state or federal law.

Sec. 10 CONDUCT OF OPERATIONS - The permittee shall conduct its operations:

- (a) In accordance with the terms of the permit to prevent significant, imminent environmental harm to the health and safety of the public; and
- (b) Utilizing methods specified as conditions of the permit by the Division in approving alternative methods of compliance with the performance standards of the Act, the approved Utah State Program and the Federal Lands Program.

Sec. 11 EXISTING STRUCTURES - As applicable, the permittee will comply with R645-301 and R645-302 for compliance, modification, or abandonment of existing structures.

- Sec. 12 RECLAMATION FEE PAYMENTS** - The operator shall pay all reclamation fees required by 30 CFR Part 870 for coal produced under the permit, for sale, transfer or use.
- Sec. 13 AUTHORIZED AGENT** - The permittee shall provide the names, addresses and telephone numbers of persons responsible for operations under the permit to whom notices and orders are to be delivered.
- Sec. 14 COMPLIANCE WITH OTHER LAWS** - The permittee shall comply with the provisions of the Water Pollution Control Act (33 USC 1151 et seq.) and the Clean Air Act (42 USC 7401 et seq), UCA 26-11-1 et seq, and UCA 26-13-1 et seq.
- Sec. 15 PERMIT RENEWAL** - Upon expiration, this permit may be renewed for areas within the boundaries of the existing permit in accordance with the Act, the approved Utah State Program and the Federal Lands Program.
- Sec. 16 CULTURAL RESOURCES** - If during the course of mining operations, previously unidentified cultural resources are discovered, the permittee shall ensure that the site(s) is not disturbed and shall notify the Division. The Division, after coordination with OSM, shall inform the permittee of necessary actions required. The permittee shall implement the mitigation measures required by Division within the time frame specified by Division.
- Sec. 17 APPEALS** - The permittee shall have the right to appeal as provided for under R645-300-200.
- Sec. 18 SPECIAL CONDITIONS** - There are special conditions associated with this permitting action as described in attachment A.

The above conditions (Secs. 1-18) are also imposed upon the permittee's agents and employees. The failure or refusal of any of these persons to comply with these conditions shall be deemed a failure of the permittee to comply with the terms of this permit and the lease. The permittee shall require his agents, contractors and subcontractors involved in activities concerning this permit to include these conditions in the contracts between and among them.

These conditions may be revised or amended, in writing, by the mutual consent of the Division and the permittee at any time to adjust to changed conditions or to correct an oversight. The Division may amend these conditions at any time without the consent of the permittee in order to make them consistent with any federal or state statutes and any regulations

THE STATE OF UTAH

By: John R. Bay

Date: 12/1/09

I certify that I have read, understand and accept the requirements of this permit and any special conditions attached.

Authorized Representative of Permittee

By: _____

Date: _____

Attachment A

SPECIAL CONDITIONS

(November 30, 2009)

1. UtahAmerican Energy, Inc (UEI) will submit water quality data for the Horse Canyon Mine, in an electronic format through the Electronic Data Input web site, <http://hlunix.hl.state.ut.us/cgi-bin/appx-ogm.cgi>.
2. UEI will conduct annual inspections of the Lila Canyon portals and submit a report of conditions by May 5th each year until the site is permanently reclaimed.

O:\007013.HOR\FINAL\permit\Horse Canyon Mine Complex Permit 2009.doc

0018

UtahAmerican Energy, Inc.



Lila Canyon Project
P. O. Box 986, Price, Utah 84501
Phone: (435) 888-4000
(435) 650-3157
Fax: (435) 888-4002

OK C/007/013 Incoming
File in MRP
CC: Wayne

April 17, 2008

Daron Haddock
Permit Supervisor
1594 West North Temple, Suite 1210
P.O. Box 145801
Salt Lake City, Utah 84114-5801

Re: UtahAmerican Energy, Inc. Horse Canyon Mine 08-006 C/007/013. Proof of
Publication for Horse Canyon Phase III Bond Release

Dear Mr. Haddock,

Attached you will find two (5) copies of the proof of publication for both the Sun
Advocate and Emery County Progress for the Phase III bond release.

C1 and C2 forms are included.

Should you have any questions please call.

Sincerely,

R. Jay Marshall
R. Jay Marshall
Chief Engineer/Project Manager

RECEIVED

APR 21 2008

DIV. OF OIL, GAS & MINING

AFFIDAVIT OF PUBLICATION

STATE OF UTAH)

ss.

County of Emery,)

I, Richard Shaw, on oath, say that I am the Publisher of the Emery County Progress, a weekly newspaper of general circulation, published at Castle Dale, State and County aforesaid, and that a certain notice, a true copy of which is hereto attached, was published in the full issue of such newspaper for 4 (Four) consecutive issues, and that the first publication was on the 22nd day of January, 2008 and that the last publication of such notice was in the issue of such newspaper dated the 12th day of February, 2008.

Richard Shaw

Richard Shaw - Publisher

Subscribed and sworn to before me this 12th day of February, 2008.

Linda Thayne

Notary Public My commission expires January 10, 2011 Residing at Price, Utah

Publication fee, \$ 572.16



PUBLIC NOTICE

**APPLICATION FOR PHASE III BOND RELEASE
HORSE CANYON MINE
UTAH AMERICAN ENERGY, INC.
PERMIT C/007/013, RENEWED 6/6/2006
EMERY COUNTY, UTAH**

Notice is hereby given that Utah American Energy, Inc., 153 Highway 7 South, Poshon Park, Ohio 43042, with R. Jay Marshall as Resident Agent, P.O. Box 968, Price, Utah 84501, has filed an application with the Utah Department of Natural Resources, Division of Oil, Gas and Mining for a Phase III bond release on all disturbed lands currently in Permit C/007/013 pursuant to H645-301-880 and H645-301-400 of the Utah Coal Program Regulations. The permit area is shown on the Cedar and Little Fork U.S. Geological Survey 7.5-minute Quadrangle maps. The permit area affected is located in Emery County and Carbon County, Utah as follows:

Township 16 South, Range 14 East, Salt Lake Base & Meridian

Section 3

Lot 1, 2, 3, 5, 6, 7, 8, 9, 11, 12, N2SW4SW4, SW4SE4, NW4SW4, NE4SW4, N2SE4, SE4SE4

Section 4

SE4NE4, S2SW4, S2SE4NE4, SE4, Lot 9

Section 5

S2SE4SE4

Section 8

NE4NE4

Section 9

NW4NW4, NE4NW4, NW4NE4

The Phase III bond release application is for Surety #4992 for \$1,061,328 and covers a total of 91.97 acres. Bond will be retained on approximately .49 acres to cover a small channel. The total amount of bond that will be retained is \$5,000; the remainder \$1,056,328 on the disturbed acres which meet the requirements of the regulations for post mine land use of Wildlife Habitat, including stabilization of lands, restoration of drainages, and vegetation establishment and will be released.

Reclamation of 51.56 acres was completed in 1981 and were included in Phase I and Phase II bond release. The bond release application includes 16.18 acres donated to the College of Eastern Utah Foundation and are covered under an approved post mine land use change, from Wildlife to Residential/Recreation. In addition the .02 acres within the Emery County Road right of way is included in bond release. The public road known as "The Range Creek Road" (24.21 acres) is included in Phase III bond release and will not be reclaimed.

In summary: 51.56 (acres included in Phase I and Phase II bond release)
16.18 (acres donated to the College of Eastern Utah)
.02 (acres bridge abutments within the Emery County Road right of way)
24.21 (acres included in the Emery County Road Right of Way)
91.97 Acres

After Phase III Bond Release .49 acres associated with the channel area will remain.

In addition, 6.5 acres identified as disturbed, was never disturbed, therefore will be removed from the disturbed area.

Written comments, objections and requests for an informal conference on this proposal may be addressed to:

Utah Coal Program
Utah Division of Oil, Gas and Mining
1584 West North Temple, Suite 1210
Salt Lake City, Utah 84114-5801

Closing date for submission of such comments, objections and requests for an informal conference on this proposal must be submitted by March 12, 2008. Published in the Emery County Progress January 22, 29, February 5 and 12, 2008.

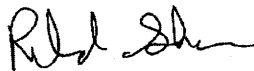
AFFIDAVIT OF PUBLICATION

STATE OF UTAH)

ss.

County of Carbon,)

I, Richard Shaw, on oath, say that I am the Publisher of the Sun Advocate, a twice-weekly newspaper of general circulation, published at Price, State a true copy of which is hereto attached, was published in the full issue of such newspaper for 4 (Four) consecutive issues, and the first publication was on the 22nd day of January, 2008, and that the last publication of such notice was in the issue of such newspaper dated the 12th day of February, 2008.

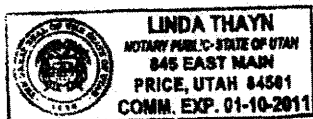

Richard Shaw - Publisher

Subscribed and sworn to before me this 12th day of February, 2008.



Notary Public My commission expires January 10, 2007 Residing at Price, Utah

Publication fee, \$ 798.72



PUBLIC NOTICE

**APPLICATION FOR PHASE III BOND RELEASE
HORSE CANYON MINE
UTAHAMERICAN ENERGY, INC.
PERMIT C/007/013, RENEWED 5/8/2006
EMERY COUNTY, UTAH**

Notice is hereby given that UtahAmerican Energy, Inc., 153 Highway 7 South, Powhatan Point, Ohio 43942, with R. Jay Marshall as Resident Agent, P.O. Box 986, Price, Utah 84501, has filed an application with the Utah Department of Natural Resources, Division of Oil, Gas and Mining for a Phase III bond release on all disturbed lands currently in Permit C/007/013 pursuant to R645-301-880 and R645-301-400 of the Utah Coal Program Regulations. The permit area is shown on the Cedar and Lila Point U.S. Geological Survey 7.5-minute Quadrangle maps. The permit area affected is located in Emery County and Carbon County, Utah as follows:

Township 16 South, Range 14 East, Salt Lake Base & Meridian

Section 3:

Lot 1, 2, 3, 5, 6, 7, 8, 9, 11, 12, N2SW4SW4, SW4SE4, NW4SW4, NE4SW4, N2SE4, SE4SE4

Section 4

SE4NE4, S2SW4, S2SE4NE4, SE4, Lot 9

Section 5

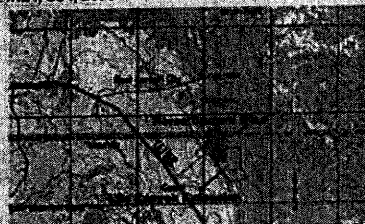
S2SE4SE4

Section 8

NE4NE4

Section 9

NW4NW4, NE4NW4, NW4NE4



The Phase III bond release application is for Surety #4892 for \$1,061,328 and covers a total of 91.97 acres. Bond will be retained on approximately 49 acres to cover a small channel. The total amount of bond that will be retained is \$5,000, the remainder \$1,056,328 on the disturbed acres which meet the requirements of the regulations for post mine land use of Wildlife Habitat, including stabilization of lands, restoration of drainages, and vegetation establishment and will be released.

Reclamation of 51.56 acres was completed in 1991 and were included in Phase I and Phase II bond release. The bond release application includes 16.18 acres donated to the College of Eastern Utah Foundation and are covered under an approved post mine land use change, from Wildlife to Residential/Recreation. In addition the .02 acres within the Emery County Road right of way is included in bond release. The public road known as "The Range Creek Road" (24.21 acres) is included in Phase III bond release and will not be reclaimed.

In summary: 51.56 (acres included in Phase I and Phase II bond release)
16.18 (acres donated to the College of Eastern Utah)
.02 (acres bridge abutments within the Emery County Road right of way)
24.21 (acres included in the Emery County Road Right of Way)
91.97 Acres

After Phase III Bond Release 49 acres associated with the channel area will remain.

In addition, 6.5 acres identified as disturbed, was never disturbed, therefore will be removed from the disturbed area.

Written comments, objections and requests for an informal conference on this proposal may be addressed to:

Utah Coal Program
Utah Division of Oil, Gas and Mining
1694 West North Temple, Suite 1210
Salt Lake City, Utah 84114-5801

Closing date for submission of such comments, objections and requests for an informal conference on this proposal must be submitted by March 12, 2008.
Published in the Sun Advocate January 22, 29, February 5 and 12, 2008.

APPLICATION FOR PERMIT PROCESSING

Permit Change <input type="checkbox"/>	New Permit <input type="checkbox"/>	Renewal <input type="checkbox"/>	Transfer <input type="checkbox"/>	Exploration <input type="checkbox"/>	Bond Release <input type="checkbox"/>	Permit Number: ACT/007/013
Title of Proposal: 08-006 Proof of Publication Phase III Horse Canyon						Mine: Horse Canyon
						Permittee: UtahAmerican Energy, Inc.

Description, include reason for application and timing required to implement:

Instructions: If you answer yes to any of the first 8 questions (gray), submit the application to the Salt Lake Office. Otherwise, you may submit it to your reclamation

<input type="checkbox"/> Yes	<input type="checkbox"/> No	1. Change in the size of the Permit Area? _____ acres Disturbed Area? _____ acres <input type="checkbox"/> increase <input type="checkbox"/> decrease.
<input type="checkbox"/> Yes	<input type="checkbox"/> No	2. Is the application submitted as a result of a Division Order? DO # _____
<input type="checkbox"/> Yes	<input type="checkbox"/> No	3. Does application include operations outside a previously identified Cumulative Hydrologic Impact Area?
<input type="checkbox"/> Yes	<input type="checkbox"/> No	4. Does application include operations in hydrologic basins other than as currently approved?
<input type="checkbox"/> Yes	<input type="checkbox"/> No	5. Does application result from cancellation, reduction or increase of insurance or reclamation bond?
<input type="checkbox"/> Yes	<input type="checkbox"/> No	6. Does the application require or include public notice/publication?
<input type="checkbox"/> Yes	<input type="checkbox"/> No	7. Does the application require or include ownership, control, right-of-entry, or compliance information?
<input type="checkbox"/> Yes	<input type="checkbox"/> No	8. Is proposed activity within 100 feet of a public road or cemetery or 300 feet of an occupied dwelling?
<input type="checkbox"/> Yes	<input type="checkbox"/> No	9. Is the application submitted as a result of a Violation? NOV # _____
<input type="checkbox"/> Yes	<input type="checkbox"/> No	10. Is the application submitted as a result of other laws or regulations or policies? Explain: _____
<input type="checkbox"/> Yes	<input type="checkbox"/> No	11. Does the application affect the surface landowner or change the post mining land use?
<input type="checkbox"/> Yes	<input type="checkbox"/> No	12. Does the application require or include underground design or mine sequence and timing? (Modification of R2P2?)
<input type="checkbox"/> Yes	<input type="checkbox"/> No	13. Does the application require or include collection and reporting of any baseline information?
<input type="checkbox"/> Yes	<input type="checkbox"/> No	14. Could the application have any effect on wildlife or vegetation outside the current disturbed area?
<input type="checkbox"/> Yes	<input type="checkbox"/> No	15. Does application require or include soil removal, storage or placement?
<input type="checkbox"/> Yes	<input type="checkbox"/> No	16. Does the application require or include vegetation monitoring, removal or revegetation activities?
<input type="checkbox"/> Yes	<input type="checkbox"/> No	17. Does the application require or include construction, modification, or removal of surface facilities?
<input type="checkbox"/> Yes	<input type="checkbox"/> No	18. Does the application require or include water monitoring, sediment or drainage control measures?
<input type="checkbox"/> Yes	<input type="checkbox"/> No	19. Does the application require or include certified designs, maps, or calculations?
<input type="checkbox"/> Yes	<input type="checkbox"/> No	20. Does the application require or include subsidence control or monitoring?
<input type="checkbox"/> Yes	<input type="checkbox"/> No	21. Have reclamation costs for bonding been provided for?
<input type="checkbox"/> Yes	<input type="checkbox"/> No	22. Does application involve a perennial stream, a stream buffer zone or discharges to a stream?
<input type="checkbox"/> Yes	<input type="checkbox"/> No	23. Does the application affect permits issued by other agencies or permits issued to other entities?

X Attach 5 complete copies of the application.

I hereby certify that I am a responsible official of the applicant and that the information contained in this application is true and correct to the best of my information and belief in all respects with the laws of Utah in reference to commitments, undertakings, and obligations, herein.

R. Jay Marshall *Chief Eng* *4/17/08*
 Signed Name - Position - Date

Subscribed and sworn to before me this *17th* day of *April* in *2008*

Linda Kerns
 Notary Public
 My Commission Expires: *040609*
 STATE OF *Utah*
 COUNTY OF *Carbon*



Notary Public
 LINDA KERNS
 345 N. 700 E.
 Price, UT 84501
 My Commission Expires
 April 6, 2009
 State of Utah

Received by Oil, Gas & Mining

RECEIVED

APR 21 2008

DIV. OF OIL, GAS & MINING

ASSIGNED TRACKING NUMBER

DIV. OF OIL, GAS & MINING

0042



United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Price Field Office
125 South 600 West
Price, UT 84501
<http://www.blm.gov/ut/st/en/fo/price.html>

DEC 30 2008

RECEIVED

JAN 05 2009

DIV. OF OIL, GAS & MINING

In Reply Refer To:
3474
(LLUTG02000)

Daron Haddock
Utah Division of Oil Gas and Mining
PO Box 145801
Salt Lake City, Utah
84114-5801

Dear Mr. Haddock:


Subject: Phase III Bond Release Inspection

After the Phase III Bond Release Inspection that took place on the 17th of December. UtahAmerican Energy Inc. has completed Phase III of the approved reclamation plan for the Horse Canyon areas which include the borrow area and the rail road grade. The BLM concurs with the reclamation that has taken place.

The Right of Way that was discussed is not within the Phase III Bond release area and is in the process of being handled at the Price Field Office level.

If you have any questions concerning this matter, please contact Sue Wiler at (435)636-3651.

Sincerely,


Acting for Michael Stiewig
Field Office Manager

cc: J. McKenzie (UT-92413)
BLM-Utah State Office



0007/013 Incoming
cc: Dave

0041



IN REPLY REFER TO:

United States Department of the Interior

OFFICE OF SURFACE MINING
Reclamation and Enforcement
P. O. Box 46667
Denver, Colorado 80201-6667

C/007/013 Incoming
RECEIVED
JAN 05 2009
DIV. OF OIL, GAS & MINING

UT-0020

December 19, 2008

Utah Division of Oil, Gas, & Mining
Coal Regulatory Program
1594 West North Temple, Suite 1210
P.O. Box 145801
Salt Lake City, Utah 84114-5801

RE: UtahAmerican Energy, Inc. "Horse Canyon" Mine - Application for a Permit Revision,
Phase III Bond Release, Task ID No. 3080

Dear Sir or Madam:

This is in response to the Utah Division of Oil, Gas & Mining's (UT-DOGM) November 18, 2008, request for a decision, under 30 CFR 944.30, whether the above subject permit revision constitutes a mining plan modification.

Mining plan approvals by the Secretary of the Interior are required under the Mineral Leasing Act of 1920, 30 U.S.C. 181, *et seq.* before coal mining can occur on Federal lands. This letter serves to document OSM's determination whether or not a mining plan approval from the Secretary is required for the above permitting action.

OSM's review of the Application for a Permit Revision, Phase III Bond Release, has determined that it requests Phase III bond release for 91.97 acres affected by mining operations at the Horse Canyon mine, Utah State permit C/007/0013. Of those 91.97 acres, 16.18 acres and specifically identified buildings and surface facilities will be donated to the College of Eastern Utah Foundation for its future use.

Based on a review of the activities associated with the permit revision, OSM has determined that the proposal does not meet the requirements of 30 CFR PART 740 and PART 746. Therefore, the proposed permit revision does not constitute a mining plan action requiring Secretarial approval.

OSM's decision was based solely upon the Federal regulations under 30 CFR PART 746 and not the technical aspects of the revision application itself. Consequently, OSM's decision does not relieve UT-DOGM from coordinating the review and approval of the Application for a Permit Revision, Phase III Bond Release, with other Federal agencies for compliance with other Federal regulations.

**TAKE PRIDE
IN AMERICA**



OSM also electronically transmitted the November 18, request to the Bureau of Land Management and the USDA Forest Service for their review and comment.

In an electronic submittal dated November 24, 2008, the USDA Forest Service stated it had no comments or concerns with the permit revision.

The Bureau of Land Management did not provide any comments in the thirty day time frame established by the Federal regulations under 30 CFR 944.30, Article VI. D.

Please notify the applicant of our decision on this matter.

Should you have any questions regarding this letter or approval, please contact Carl R. Johnston, Utah Federal Lands coordinator, at (303) 293-5038.

Sincerely,

A handwritten signature in black ink, appearing to read 'F. Kirby', with a long horizontal flourish extending to the right.

Foster E. Kirby
Acting Manager, Northwest Branch

cc: BLM - Utah State Office
BLM - Price Field Office
USFS - Manti-La Sal NF
Denver Field Division